

PERAC AUDIT REPORT



Norfolk County Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2005



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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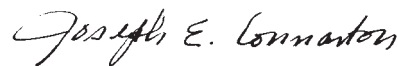
December 22, 2006

The Public Employee Retirement Administration Commission has completed an examination of the Norfolk County Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2003 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Martin J. Feeney and Mary Dundas who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. **Cash Reconciliation:**

A review of the bank reconciliation for the period ending 12/31/05 revealed a large number of items outstanding for more than six months. These outstanding items represented both regular retiree checks and checks that were being held for a disability retiree who had not filed the required information with PERAC.

a. A subsequent review of the bank reconciliation for the period ending 9/30/06 showed that, although a number of these outstanding items relating to regular retirees had been researched and voided, there were seven items totaling \$2,716.24 that had been outstanding for more than six months.

b. The total of the outstanding checks relating to the disability retiree at 12/31/05 was \$27,932.88. The total of the outstanding checks relating to the disability retiree at 9/30/06 was \$46,609.66.

Recommendation:

a. Any uncashed item older than six months should be researched so that proper voiding and recording of these items can be completed.

b. Pursuant to Chapter 32, § 91A, any disability retiree who fails to file the required statements and does not show good cause for failing to file the required statements, shall have his benefits terminated until the required information is filed. It is recommended that the outstanding checks in question be voided and no more checks be written to this retiree until the retiree conforms to the statute.

Board Response:

a. The staff of the Retirement System now tracks and researches uncashed items older than six months, and takes appropriate steps to void or have such checks cashed. Further, the Retirement System has notified all retirees relative to the use of direct deposit as an alternative to monthly checks.

b. The 91A issues relative to the retired member in question are long-term and continuing; notwithstanding this, the checks to the retired member have been voided.

2. **Current Retirees:**

The Board has not acted to recalculate the retirement benefit of a member as directed in a PERAC letter dated 12/2/04. This member was found to have violated the State Ethics Laws and was ordered to repay his employer a portion of the regular compensation he received, as it was determined these were unearned payments.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Recommendation:

The Board must immediately recalculate said member's retirement allowance and collect that portion which was overpaid to him. This overpayment is not eligible for forgiveness under G.L. c. 32, § 20(5)(c)(3).

Board Response:

The Norfolk County Retirement Board recalculated the retirement allowance of the member based on a three-year average salary that was reduced to reflect \$10,000.00 in "unearned payments", i.e. wages, which the member agreed, by way of the Ethics Commission Disposition Agreement, he had not been entitled to receive.

The Norfolk County Retirement Board is of the opinion that the repayment to the Norfolk County Retirement System of the \$2,556.34 that was overpaid the member as a result of the re-calculation referenced in the preceding paragraph was properly waived in accordance with the provisions of M.G.L. c. 32, §20(5)(c)(1), (2) and (3). Specifically, based on the member's retirement date and the date of PERAC's letter advising the Board of the Disposition Agreement, the date the Board voted to take the matter under advisement, and the date upon which the Board voted to recalculate the member's retirement allowance, the Board found that the error in the benefit amount paid to the member persisted for a period in excess of one year, and that the error was not the result of erroneous information provided by the member. Finally, the member testified before the Board that he relied upon the language of the Disposition Agreement, being "the disposition of this matter without further enforcement proceedings", to mean there would be no further consequences or penalties; that the Disposition Agreement was entered into to avoid the additional time and costs associated with him appealing the matter further; and, that the amount agreed by him to repay to his employer was established arbitrarily, as evidenced by a Disposition Agreement signed by him approximately three months previous which called for repayment to the employer in the amount of \$6,000.00. Based on the member's testimony and review of the documents presented, the Board found that the member did not have knowledge of the error or did not have reason to believe that the benefit amount was in error.

Observation:

The Norfolk County Retirement Board has released minutes of Executive Sessions for public record that sometimes contain details inappropriate for public disclosure. The Board should review Executive Session minutes closely when considering a vote to release them. The Board may decide to keep some or all portions of such details confidential in order to avoid publication of an individual's medical condition. Public disclosure could lead to litigation for invasion of privacy or failure to properly redact sensitive data.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

The Board at all times seeks to balance its responsibilities as a public entity with the privacy concerns of its members. The Board is sensitive to privacy considerations and applicable statutes, and makes available the minutes of Executive Sessions in accordance with a policy prepared by Board Counsel. The Board will review the policy and make amendments as necessary.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2005	2004	2003
Net Assets Available For Benefits:			
Cash	\$7,293,106	\$9,786,563	\$6,037,376
Short Term Investments	0	1,518,117	0
Fixed Income Securities	75,882,032	78,333,532	91,988,496
Equities	207,725,713	198,490,754	169,201,457
Pooled Domestic Equity Funds	52,064,949	46,860,756	41,347,450
Pooled International Equity Funds	15,089,115	16,374,557	13,880,256
Pooled Domestic Fixed Income Funds	45,011,866	44,986,277	38,405,903
Pooled International Fixed Income Funds	21,836,805	24,144,088	21,417,447
Pooled Alternative Investment Funds	43,251,829	26,260,344	12,928,639
Pooled Real Estate Funds	24,308,043	17,249,050	18,498,242
Interest Due and Accrued	1,112,931	1,034,587	1,207,654
Accounts Receivable	3,817,898	6,904,227	12,402,268
Accounts Payable	(1,703,361)	(2,662,622)	(1,427,745)
Total	<u>\$495,690,925</u>	<u>\$469,280,230</u>	<u>\$425,887,442</u>
Fund Balances:			
Annuity Savings Fund	\$162,970,574	\$149,094,114	\$143,303,446
Annuity Reserve Fund	51,475,458	52,912,201	47,443,610
Pension Fund	7,963,027	(12,248,270)	(9,180,202)
Military Service Fund	26,602	26,443	26,285
Expense Fund	0	0	0
Pension Reserve Fund	273,255,265	279,495,742	244,294,303
Total	<u>\$495,690,925</u>	<u>\$469,280,230</u>	<u>\$425,887,442</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2003)	\$135,784,525	\$42,791,712	(\$7,915,674)	\$26,025	\$0	\$175,272,392	\$345,958,980
Receipts	19,005,841	1,507,142	28,711,679	260	3,259,267	77,389,287	129,873,476
Inter Fund Transfers	(8,604,777)	9,056,480	7,915,674	0	0	(8,367,376)	0
Disbursements	(2,882,143)	(5,911,723)	(37,891,881)	0	(3,259,267)	0	(49,945,013)
Ending Balance (2003)	<u>\$143,303,446</u>	<u>\$47,443,610</u>	<u>(\$9,180,202)</u>	<u>\$26,285</u>	<u>\$0</u>	<u>\$244,294,303</u>	<u>\$425,887,442</u>
Receipts	18,931,531	1,569,869	26,850,322	158	3,297,562	44,338,182	94,987,623
Inter Fund Transfers	(10,300,154)	10,256,695	9,180,202	0	0	(9,136,743)	0
Disbursements	(2,840,708)	(6,357,974)	(39,098,592)	0	(3,297,562)	0	(51,594,835)
Ending Balance (2004)	<u>\$149,094,114</u>	<u>\$52,912,201</u>	<u>(\$12,248,270)</u>	<u>\$26,443</u>	<u>\$0</u>	<u>\$279,495,742</u>	<u>\$469,280,230</u>
Receipts	21,163,641	1,566,838	31,132,098	159	3,255,555	26,079,419	83,197,710
Inter Fund Transfers	(3,847,013)	3,847,399	32,319,510	0	0	(32,319,896)	0
Disbursements	(3,440,168)	(6,850,981)	(43,240,311)	0	(3,255,555)	0	(56,787,015)
Ending Balance (2005)	<u>\$162,970,574</u>	<u>\$51,475,458</u>	<u>\$7,963,027</u>	<u>\$26,602</u>	<u>\$0</u>	<u>\$273,255,265</u>	<u>\$495,690,925</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
Annuity Savings Fund:			
Members Deductions	\$17,702,491	\$16,671,994	\$16,026,387
Transfers from Other Systems	1,538,232	1,197,594	1,362,572
Member Make Up Payments and Re-deposits	463,079	187,524	303,008
Member Payments from Rollovers	586,192	69,526	41,528
Investment Income Credited to Member Accounts	873,647	804,893	1,272,345
Sub Total	21,163,641	18,931,531	19,005,841
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	1,566,838	1,569,869	1,507,142
Pension Fund:			
3(8)(c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	1,378,279	676,764	731,171
Pension Fund Appropriation	1,514,823	2,022,348	1,676,056
Sub Total	28,238,996	24,151,210	26,304,452
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	159	158	260
Sub Total	159	158	260
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	3,255,555	3,297,562	3,259,267
Sub Total	3,255,555	3,297,562	3,259,267
Pension Reserve Fund:			
Federal Grant Reimbursement	16,665	15,977	27,112
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	34,346	27,358	30,670
Miscellaneous Income	2,380	1,380	(1,840,688)
Excess Investment Income	26,026,028	44,293,468	79,172,193
Sub Total	26,079,419	44,338,182	77,389,287
Total Receipts	\$83,197,710	\$94,987,623	\$129,873,476

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
Annuity Savings Fund:			
Refunds to Members	\$1,865,190	\$1,669,404	\$1,344,200
Transfers to Other Systems	<u>1,574,978</u>	<u>1,171,305</u>	<u>1,537,943</u>
Sub Total	<u>3,440,168</u>	<u>2,840,708</u>	<u>2,882,143</u>
Annuity Reserve Fund:			
Annuities Paid	6,633,357	6,243,872	5,754,499
Option B Refunds	<u>217,624</u>	<u>114,102</u>	<u>157,223</u>
Sub Total	<u>6,850,981</u>	<u>6,357,974</u>	<u>5,911,723</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	28,805,033	27,390,252	24,489,035
Survivorship Payments	2,035,267	1,950,130	1,805,685
Ordinary Disability Payments	600,294	588,192	559,979
Accidental Disability Payments	6,263,463	5,722,738	5,579,296
Accidental Death Payments	976,860	893,941	900,592
Section 101 Benefits	167,829	158,448	144,808
3 (8) (c) Reimbursements to Other Systems	2,812,439	721,683	2,706,838
State Reimbursable COLA's Paid	1,579,124	1,673,207	1,705,648
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>43,240,311</u>	<u>39,098,592</u>	<u>37,891,881</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	367,803	337,515	327,725
Legal Expenses	86,927	69,737	(43,458)
Medical Expenses	0	0	250
Fiduciary Insurance	40,496	34,282	13,442
Service Contracts	52,942	14,723	12,345
Rent Expenses	50,518	50,626	54,311
Travel Expenses	16,795	16,950	11,835
Administrative Expenses	116,636	283,974	155,526
Furniture and Equipment	2,997	20,872	1,503
Management Fees	1,984,442	1,920,618	2,231,953
Custodial Fees	401,000	413,264	328,836
Consultant Fees	<u>120,000</u>	<u>120,000</u>	<u>150,000</u>
Sub Total	<u>3,255,555</u>	<u>3,297,562</u>	<u>3,259,267</u>
Total Disbursements	<u>\$56,787,015</u>	<u>\$51,594,835</u>	<u>\$49,945,013</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
Investment Income Received From:			
Cash	\$376,452	\$114,406	\$79,347
Short Term Investments	0	0	2,217
Fixed Income	4,676,300	5,346,889	6,682,118
Equities	2,587,182	2,208,773	1,789,939
Pooled or Mutual Funds	3,309,968	1,619,187	2,123,868
Commission Recapture	70,891	69,578	67,843
Total Investment Income	11,020,793	9,358,832	10,745,332
Plus:			
Realized Gains	16,333,480	16,990,876	21,844,595
Unrealized Gains	36,348,975	44,749,334	62,499,113
Interest Due and Accrued on Fixed Income Securities - Current Year	1,112,931	1,034,587	1,207,654
Sub Total	53,795,386	62,774,797	85,551,362
Less:			
Paid Accrued Interest on Fixed Income Securities	\$510,486	\$342,067	\$544,467
Realized Loss	17,064,967	12,679,110	5,264,885
Unrealized Loss	14,483,911	7,938,850	3,927,095
Interest Due and Accrued on Fixed Income Securities - Prior Year	1,034,587	1,207,654	1,349,041
Sub Total	33,093,952	22,167,680	11,085,487
Net Investment Income	31,722,227	49,965,950	85,211,207
Income Required:			
Annuity Savings Fund	873,647	804,893	1,272,345
Annuity Reserve Fund	1,566,838	1,569,869	1,507,142
Military Service Fund	159	158	260
Expense Fund	3,255,555	3,297,562	3,259,267
Total Income Required	5,696,199	5,672,481	6,039,014
Net Investment Income	31,722,227	49,965,950	85,211,207
Less: Total Income Required	5,696,199	5,672,481	6,039,014
Excess Income To The Pension Reserve Fund	\$26,026,028	\$44,293,468	\$79,172,193

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2005			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$7,293,106	1.48%	100
Short Term	0	0.00%	100
Fixed Income	75,882,032	15.41%	30 - 80 **
Equities	207,725,713	42.18%	69 ***
Pooled Domestic Equity Funds	52,064,949	10.57%	69 ***
Pooled International Equity Funds	15,089,115	3.06%	21
Pooled Domestic Fixed Income Funds	45,011,866	9.14%	30 - 80 **
Pooled International Fixed Income Funds	21,836,805	4.43%	7
Pooled Alternative Investment Funds	43,251,829	8.78%	7.5
Pooled Real Estate Funds	<u>24,308,043</u>	<u>4.94%</u>	10
Grand Total	<u>\$492,463,458</u>	<u>100.00%</u>	

** Total Fixed Income including International Fixed Income, which is not to exceed 7%.

*** Total Equities including International Equities, which are not to exceed 21%.

For the year ending December 31, 2005, the rate of return for the investments of the Norfolk County Retirement System was 6.69%. For the five-year period ending December 31, 2005, the rate of return for the investments of the Norfolk County Retirement System averaged 5.54%. For the twenty-one year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Norfolk County Retirement System was 9.93%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Norfolk County Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

June 9, 2005

- 16.08 In accordance with PERAC Investment Guideline 99-3, the Norfolk County Retirement Board is authorized to invest in Prism Venture Partners V, L.P. although meaningful returns are not yet available. The Board has been a satisfied investor in Prism Venture Partners IV, the predecessor fund, and the management team and basic strategy remains the same.

March 11, 2005

- 16.08 In accordance with Investment Guideline 99-3, the Norfolk County Retirement System is authorized to invest in Ascend Ventures II. The System has invested in Ascend Ventures I, with satisfactory results to date, and has submitted the necessary regulatory documents.

February 1, 2005

- 16.08 In accordance with Investment Guideline 99-2, the Norfolk County Retirement System is authorized to modify its small cap value equity mandate with The Boston Company. The system has had an existing investment in the TBC Small Cap Opportunities strategy and intends to transfer the assets to the TBC Small Cap Value strategy. The two strategies invest in the same market universe, have the same benchmark (Russell 2000 Value), and utilize the same research team, but the performance of the Small Cap Value strategy has been less momentum-driven and less volatile than that of the Small Cap Opportunities strategy. The transfer also affords the Board the benefits of better diversification in portfolio managers, as the manager of the existing account also manages a mid-cap value account for the System.

December 30, 2003

- 21.01 For the sole purpose of the Norfolk County Retirement System's investment in the Mesirow Absolute Return Fund the provisions of 840 CMR 21.01(1), 21.01(2), 21.01(3), 21.01(4), 21.01(5) and 21.01 (6) shall not apply.

April 8, 2003 (IR&M Core Bond Fund)

- 16.08 In accordance with Investment Guideline 99-2, the Norfolk County Retirement Board is authorized to modify its fixed income mandate with Income Research & Management. First, in order to achieve operational efficiencies and lower fees, the account is changing from a separately managed account to a commingled fund, the IR&M Core Bond Fund. The management team and process remain the same. Second, the investment universe is being modified to focus on intermediate rather than long maturities, consistent with the Board's asset allocation objectives. The Board has had a successful relationship with IR&M since 1998 and has great confidence in their fixed income capabilities.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

April 18, 2001 (Sentinel Realty Partners Fund IV & Corcoran Jennison Apartment Fund, Inc.)

16.08 The Norfolk County Retirement Board (“the Board”) may maintain its current investment on behalf of the Norfolk County Retirement System with a real estate investment fund, as contemplated by 840 CMR 19.01(4)-(6), known as Sentinel Realty Partners Fund IV. Said investment arising after other prospective real estate managers identified through the competitive bidding process would not agree to the Board’s contract consistent with PERAC requirements, and since the Board already maintained an ongoing relationship with Sentinel.

19.01 The Norfolk County Retirement Board (“the Board”) may maintain its current investment on behalf of the Norfolk County Retirement System with a real estate investment trust fund, as contemplated by 840 CMR 19.01(4)-(6), known as the Corcoran Jennison Apartment Fund, Inc. (“the Fund”). Said investment subject to further Board action.

January 25, 2000 (Halpern Denny Fund III)

16.08 In accordance with PERAC Investment Guideline 99-3, the Norfolk County Retirement Board may invest in the Halpern Denny Fund III, L.P. The board is an investor in Halpern Denny Fund II, L.P. and has submitted the required supporting documents. This investment is contingent on the Fund’s continuing compliance with ERISA and its accompanying regulations, including, but not limited to, those setting forth exemptions for plan assets such as a venture capital operating company (“VCOC”).

September 17, 1999 (Realty Associates Fund V Corporation)

19.01(6) Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations found at 840 CMR 16.00, et seq., the Norfolk County Retirement Board may invest funds of the Norfolk County Retirement System with a real estate investment trust fund, as contemplated by 840 19.01(4)-(6), known as Realty Associates Fund V Corporation (“the Fund”) (T/A Associates). Said investment contingent on the Fund’s continuing compliance with the Employee Retirement Income Security Act (“ERISA”) and its accompanying regulations, including, but not limited to, those setting forth exemptions for plan assets such as a real estate operating company (“REOC”) and a venture capital operating company (“VCOC”).

April 6, 1999 (Wilshire Associates Private Markets Fund II)

16.08 The Norfolk County Retirement Board (NCRB) may invest in the Wilshire Associates Private Markets Fund II (Wilshire). Wilshire is a so-called “fund of funds” manager and will, on behalf of NCRB, invest assets in private market investment funds, including, but not limited to buyout funds, venture capital funds, and distressed securities funds in accordance with a Subscription and Adoption Agreement between NCRB and Wilshire. Decisions of Wilshire as to the selection of investments will not be subject to approval by NCRB and those decisions will not be the result of a process overseen by NCRB. In

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

selecting Wilshire NCRB carefully reviewed the process to be used in making those decisions and believes that process meets the requirements set forth in 840 CMR 16.08 with the exception of the fact that NCRB will not make the decisions. Wilshire will periodically report to NCRB as to the selections and the rational used in order that NCRB may assess whether Wilshire continues to follow the process approved by NCRB.

March 26, 1998 (Corcoran Jennison Apartment Fund)

20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

February 2, 1998 (Triumph III Advisors, L.P.)

20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.

20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

December 18, 1997 (ERE Value Enhancement Fund III)

20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

December 18, 1997 (Phoenix Real Estate Advisors)

- 20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

December 12, 1997 (Boston Millennia Partners L.P.)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
- (a) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
 - (b) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
 - (c) such personnel retain authority in the decision making process, and
 - (d) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

December 4, 1997 (First America Asia Fund I, LLC)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.

- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

December 4, 1997 (Sentinel Realty Partners III, L.P.)

- 20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

October 30, 1997 (Halpern Denny Fund II)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

September 12, 1997 (Redwood Capital Partners II)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

June 20, 1997

- 20.03(2) At least 30% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including international fixed income investments which shall not exceed 7% of the portfolio valued at market.

- 20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

March 21, 1997 (New England Growth Fund II)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

March 6, 1997

- 20.03(2) At least 35% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including international fixed income investments which shall not exceed 7% of the portfolio valued at market.
- 20.04(6) The board may invest in obligations issued by foreign corporations and in obligations issued and guaranteed by foreign governments

July 25, 1996

- 20.06(10) Private Placement securities falling under the governance of Rule 144A may be purchased up to 5% of the market value of the fixed income portfolio at the time of purchase. These rule 144A Private Placements shall be considered to be corporate bonds and, as such, governed by guideline constraints pertaining to corporate bonds including those stated in the Statement of Objectives (Form 18-1) and PERA Regulations 840 CMR.

January 25, 1996

840 CMR 21.00: Prohibited Investments

- (3) Futures Contracts other than as follows”

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

(a) Forward Currency Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERA for international investments.

(b) Forward Currency Contracts may be written against securities in the international portfolio to a maximum of twenty-five percent (25%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

October 26, 1995

20.03(1) Equity investments shall not exceed 69% of the portfolio valued at market, including international equities which shall not exceed 21% of the portfolio valued at market.

March 8, 1995

20.03(1) Equity investments shall not exceed 40% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

March 10, 1994

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds which shall be limited to 20% of the Loomis Sayles Corporate Bond fixed income portfolio valued at market.

June 30, 1993

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

(a) 1% of the value of the fund for the first \$5 million; and

(b) 0.5% of the value of the fund in excess of \$5 million.

16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Norfolk County Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, s. 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age".

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$611.28 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Norfolk County Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

August 23, 2005

The Norfolk County Retirement Board has determined that is necessary and in the best interests of its active and retired members, beneficiaries and survivors to grant access to the name, address, telephone numbers and/or social security numbers of these of these individuals for the sole and limited purpose of assisting in the proper administration of M.G.L. c. 32 and M.G.L. c. 32B and the issuance of monthly benefits allowance. The Board recognizes the need to protect the privacy of its active and retired members, beneficiaries and survivors and to that end will only allow access to personal information to the treasurers, directors, human resources departments, data processing/information technology departments, and benefit coordinators of the member units of the Norfolk County Retirement System.

All other requests for the addresses or other personal information on the active and retired members, beneficiaries and survivors will be evaluated on a case-by-case basis and this supplemental regulation may be amended, from time to time, subject to PERAC's approval, to address the needs of members, beneficiaries and survivors of the Norfolk County Retirement System.

February 26, 2003

Temporary, Provisional or Intermittent Employees

Any temporary, provisional or intermittent employee receiving weekly or monthly salaries or wages for prescribed periods of employments shall be granted creditable service based on actual service rendered.

Example: Day = 7 ½ hours Week = 37 ½ hours

Seasonal Employees

Anyone receiving salaries or wages whose work is found by the Board to be seasonal in its nature shall be credited with one year of actual full-time service for full-time service of not less than seven (7) months during any one calendar year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

February 26, 2003 (continued)

Part-Time Employees

Permanent part-time employees working a minimum of twenty (20) hours per week must become members of the Norfolk County Retirement System and shall be granted creditable service as follows:

- i. A permanent part-time employee who is employed as such with a member unit for a period of ten years, shall receive ten years full-time creditable service and a full year of creditable service each year thereafter while continuing employment on a permanent part-time basis, subject to section iii below.
- ii. A permanent part-time employee who is employed as such with a member unit and ends his/her employment prior to working ten years shall receive creditable service based on actual service rendered.
- iii. A permanent part-time employee who is employed as such with a member unit and ends his/her employment after working ten years, but prior to retirement, shall receive full-time creditable service for each year of service as a permanent part-time employee up to ten years, and shall receive creditable service based on actual service rendered in each year in excess of ten years.
- iv. A permanent part-time employee who is employed as such with a member unit and then becomes a full-time employee of a member unit prior to working ten years shall receive full-time creditable service for each year of service as a permanent-part time employee and as a full-time employee.
- v. A permanent part-time employee who is employed as such with a member unit and then after working ten years becomes a full-time employee of a member unit shall receive full-time creditable service for the ten years of service as a permanent part-time employee, and shall receive creditable service based on actual service rendered in each year in excess of ten years.

August 5, 1991

All members of the Norfolk County Retirement System who are employed in a position which is a “scheduled” twenty hour or more per week position are entitled to full-time creditable service.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

November 25, 1985

Membership

Permanent part-time employees working a minimum of 20 hours per week must become members of the retirement system.

November 25, 1985

Creditable Service

Anyone receiving weekly or monthly salaries or wages for prescribed periods of employment be given creditable service based on actual service rendered, provided that in case of any such employee whose work is found by the board to be seasonal in its nature, the board shall credit as the equivalent of one year of service actual fulltime service of not less than 7 months during any one calendar year. REVISED by rule approved August 5, 1991.

November 25, 1985

Membership/Creditable Service

Call fire fighters and special police shall be excluded from membership as of May 29, 1957. Reserve or special police officers, employed prior to May 27, 1957 shall be granted in proportion to the minimum salary paid for a regular permanent fire fighter or a regular permanent police officer in the town affected. (\$4,000 earnings for 1 year service to be used as basis)

November 25, 1985

Creditable Service

One year credit is to be granted for every five years of creditable service for call fire fighters up to a maximum of 5 years of creditable service PROVIDED, that such service as call fire fighters shall only be credited if such call fire fighters were later appointed as a permanent member of the fire department.

November 25, 1985

Membership

Employees compensated on a per diem basis shall not be eligible for membership or creditable service.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

November 25, 1985

Buy-Backs

The purchase or buy-back of prior creditable service must be paid in one lump sum.

November 25, 1985

Buy-Backs/Service Credit

A member shall be allowed to buy back time which they earned during their status as a less than half time employee and ineligible for membership, provided that creditable service shall be granted based on actual service rendered.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the County Treasurer who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such System, and a fifth member appointed by the other four Board members.

Ex-officio Member: Joseph Connolly

Appointed Member: Paul Connors Term Expires: 12/31/06

Elected Member: Josephine Shea Term Expires: 12/31/07

Elected Member: Edwin Little Term Expires: 12/31/08

Appointed Member: Thomas Rorrie Term Expires: 12/31/06

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with the Executive Director of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following Retirement Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	MACRS policy:
Elected Member:)	\$ 1,000,000 Fidelity Bond
Appointed Member:)	\$ 50,000,000 Fiduciary Liability
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants, LLC as of January 1, 2005.

The actuarial liability for active members was	\$357,866,011
The actuarial liability for retired members was	405,034,639
The total actuarial liability was	\$762,900,650
System assets as of that date were (actuarial value)	467,186,566
The unfunded actuarial liability was	<u>\$295,714,084</u>
The ratio of system's assets to total actuarial liability was	61.2%
As of that date the total covered employee payroll was	\$196,639,163

The normal cost for employees on that date was	8.2% of payroll
The normal cost for the employer was	3.0% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.5% per annum
Rate of Salary Increase:	3.5% per annum for Group I members and 4.0% for Group 4 members

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2005	\$467,186,566	\$762,900,650	\$295,714,084	61.2%	\$196,639,163	150.38%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.39%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.25%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.92%
1/1/1995	180,891,568	325,770,066	144,878,498	55.5%	113,165,373	128.02%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Retirement in Past Years										
Superannuation	N/A	20	86	71	N/A	86	21	86	164	69
Ordinary Disability	N/A	0	2	3	N/A	7	0	0	4	3
Accidental Disability	N/A	0	7	9	N/A	16	0	0	13	8
Total Retirements	N/A	20	95	83	N/A	109	21	86	181	80
Total Retirees, Beneficiaries and										
Survivors	N/A	2,450	2,618	2,642	N/A	2,704	2,668	2,662	2,818	2,798
Total Active Members	N/A	5,254	5,348	6,334	N/A	6,844	7,103	5,697	5,672	5,831
Pension Payments										
Superannuation	\$13,517,716	\$14,440,790	\$16,243,845	\$17,310,985	\$18,915,381	\$28,094,431	\$21,754,856	\$24,489,035	\$27,390,252	\$28,805,033
Survivor/Beneficiary Payments	1,359,387	1,453,917	1,530,792	1,431,997	1,514,934	N/A	1,854,494	1,805,685	1,950,130	2,035,267
Ordinary Disability	429,089	436,640	466,720	463,516	538,941	N/A	567,918	559,979	588,192	600,294
Accidental Disability	3,457,959	3,634,103	3,830,148	4,261,388	4,329,707	N/A	5,394,757	5,579,296	5,722,738	6,263,463
Other	1,732,716	1,808,442	1,856,105	2,006,341	1,259,862	1,258,313	1,428,075	5,457,886	3,447,279	5,536,253
Total Payments for Year	<u>\$20,496,867</u>	<u>\$21,773,892</u>	<u>\$23,927,610</u>	<u>\$25,474,227</u>	<u>\$26,558,825</u>	<u>\$29,352,744</u>	<u>\$31,000,100</u>	<u>\$37,891,881</u>	<u>\$39,098,592</u>	<u>\$43,240,311</u>

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